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Westly: Excessive Executive Compensation Bad for Business

SACRAMENTO – State Controller Steve Westly today denounced the outrageous compensation packages given to outgoing Morgan Stanley CEO Philip Purcell and co-president Stephen Crawford. Controller Westly is requesting that Morgan Stanley be placed on the CalPERS Executive Compensation Focus List, which shines a spotlight on companies with the worst pay for performance policies.

“We cannot support major league pay for minor league performance,” Controller Westly said. “These actions are especially troubling given the company’s poor financial performance.”

The Morgan Stanley Board of Directors recently approved a $113.7 million severance package for Purcell, complete with medical benefits, access to an office, administrative and secretarial staff for life, and $250,000 per year in lieu of other benefits.

Morgan Stanley announced recently the resignation of co-president Crawford. After only three months as co-president, Crawford will walk away with a $32 million severance package – the same compensation he would have received had he remained co-president for two years.

“There is a growing national concern about excessive executive compensation, which too many corporations are choosing to ignore. This is why CalPERS must act now,” said Westly. “CalPERS should meet immediately with new Chairman and CEO John Mack to demand an explanation for the Board’s actions and hear his plan to fix the problem.

Please see the attached letters.

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STEVE WESTLY
California State Controller

July 19, 2005

Mr. Charles Valdez, Chair
CalPERS Investment Committee
400 P Street
Sacramento, CA 95814

Dear Mr.Valdez:

I am alarmed by recent reports that Morgan Stanley has awarded its top executives extravagant pay packages that bear little connection to performance.

The Morgan Stanley Board of Directors recently approved a $113.7 million golden parachute for outgoing CEO Philip Purcell. Mr. Purcell's package includes approximately $42.7 million cash, $34.7 million in restricted stock, an estimated $20.1 million in stock options, and retirement benefits valued at $11 million. But the deal is even bigger than that. Mr. Purcell will also collect $250,000 each year in lieu of other benefits, medical benefits, access to an office, and administrative and secretarial staff for life. Finally, Morgan Stanley will donate $250,000 in charitable contributions annually in Mr. Purcell's name.

More recently, Morgan Stanley announced the resignation of co-President Stephen Crawford. After only three months as co-President, Mr. Crawford will walk away with a $32 million severance package – the same compensation he would have received had he remained co-President for two years.

These recent actions by the Board are especially troubling given the company's poor financial performance. Dropping share prices plagued Mr. Purcell's tenure as CEO. Morgan Stanley shares have dropped by nearly 50 percent since 2000, while share prices for some of the company's competitors in the financial services industry have doubled in this same period.

We cannot support major league pay for minor league performance.

Last year, the CalPERS Board adopted my proposals for a "pay for performance" based executive compensation initiative, and to create an Executive Compensation Focus List. The Focus List is intended to shine a spotlight on companies with the worst pay for performance policies. Based on its recent actions, Morgan Stanley clearly qualifies.

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There is a growing national concern about excessive executive compensation, which too many corporations are choosing to ignore. This is why CalPERS must act.

I urge CalPERS to meet immediately with new Chairman and CEO John Mack to demand an explanation for his company's actions and his plan to fix the problem. In addition, CalPERS should place Morgan Stanley on the Executive Compensation Focus List and take all other steps necessary to protect shareholders from this type of corporate excess.

Sincerely,

Steve Westly

STEVE WESTLY
State Controller

SW:jh/ka

cc: Members, CalPERS Investment Committee

STEVE WESTLY
California State Controller

July 19, 2005

Mr. Gary Lynes
CalSTRS Investment Committee
7667 Folsom Blvd
Sacramento, CA 95826

Dear Mr. Lynes:

I am alarmed by recent reports that Morgan Stanley has awarded its top executives extravagant pay packages that bear little connection to performance.

The Morgan Stanley Board of Directors recently approved a $113.7 million golden parachute for outgoing CEO Philip Purcell. Mr. Purcell's package includes approximately $42.7 million cash, $34.7 million in restricted stock, an estimated $20.1 million in stock options, and retirement benefits valued at $11 million. But the deal is even bigger than that. Mr. Purcell will also collect $250,000 each year in lieu of other benefits, medical benefits, access to an office, and administrative and secretarial staff for life. Finally, Morgan Stanley will donate $250,000 in charitable contributions annually in Mr. Purcell's name.

More recently, Morgan Stanley announced the resignation of co-President Stephen Crawford. After only three months as co-President, Mr. Crawford will walk away with a $32 million severance package – the same compensation he would have received had he remained co-President for two years.

These recent actions by the Board are especially troubling given the company's poor financial performance. Dropping share prices plagued Mr. Purcell's tenure as CEO. Morgan Stanley shares have dropped by nearly 50 percent since 2000, while share prices for some of the company's competitors in the financial services industry have doubled in this same period.

We cannot support major league pay for minor league performance.

Last year, I advocated for and CalSTRS began implementing a new strategy to pursue a "pay for performance" based executive compensation initiative, including efforts to shine a spotlight on companies with the worst pay for performance policies. Based on its recent actions, Morgan Stanley clearly qualifies.

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There is a growing national concern about excessive executive compensation, which too many corporations are choosing to ignore. This is why CalSTRS must act.

I urge CalSTRS to meet immediately with new Chairman and CEO John Mack to demand an explanation for the Board's actions and his plan to fix the problem. In addition, the Committee should place Morgan Stanley on an Executive Compensation Focus List and take all other steps necessary to protect shareholders from this type of corporate excess.

Sincerely,

Steve Westly

STEVE WESTLY
State Controller

SW:jh/ka

cc: Members, CalSTRS Investment Committee